

TOWN OF PITTSBURG, OKLAHOMA

ANNUAL FINANCIAL REPORT

JUNE 30, 2013

RALPH OSBORN
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INDEPENDENT AUDITORS' REPORT

The Honorable Members of the Board of Trustees
Town of Pittsburg, Oklahoma

I have audited the accompanying financial statements of the Town of Pittsburg, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Pittsburg's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note A; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on our audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position - modified cash basis of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Town of Pittsburg as of June 30, 2014, and the respective changes in financial position - modified cash basis, thereof for the year then ended in accordance with the basis of accounting as described in Note A.

Basis of Accounting

I draw attention to Note A of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinion is not modified with respect to that matter.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated June 29, 2015, on my consideration of Town of Pittsburg's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards in considering Town of Pittsburg, Oklahoma's* internal control over financial reporting and compliance.

Sincerely,

A handwritten signature in cursive script that reads "Ralph Osborn".

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 29, 2015

TOWN OF PITTSBURG, OKLAHOMA
STATEMENT OF NET ASSETS
MODIFIED CASH BASIS
JUNE 30, 2013

	Primary Government		
	Governmental	Business	
	Activities	Type	Total
	Activities	Activities	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 166,825	\$ 58,727	\$ 225,552
Investments	30,000	32,571	62,571
Restricted assets:			
Cash and cash equivalents	-	8,256	8,256
Internal balances	95,636	(95,636)	-
Total current assets	292,461	3,918	296,379
Non-current assets:			
Capital assets			
Land	9,430	13,500	22,930
Other capital assets net of accumulated depreciation	77,223	1,099,519	1,176,742
Total non-current assets	86,653	1,113,019	1,199,672
Total assets	379,114	1,116,937	1,496,051
LIABILITIES			
Current liabilities:			
Utility deposits	-	2,560	2,560
Notes payable, current	-	3,528	3,528
Total current liabilities	-	6,088	6,088
Non-current liabilities:			
Notes payable, non-current	-	92,206	92,206
Total non-current liabilities	-	92,206	92,206
Total liabilities	-	98,294	98,294
NET ASSETS			
Invested in capital assets, net of related debt	86,653	1,017,285	1,103,938
Reserved for debt service	-	8,256	8,256
Unrestricted	292,461	(6,898)	285,563
Total net assets	\$ 379,114	\$1,018,643	\$ 1,397,757

The accompanying notes are an integral part of this financial statement.

TOWN OF PITTSBURG, OKLAHOMA
STATEMENT OF ACTIVITIES
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013

FUNCTION/PROGRAMS	<u>Expenses</u>	<u>Program Revenue</u>			<u>Net (Expenses) Revenue</u>
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
Administration	\$ 60,745	\$ -	\$ 1,570	\$ -	\$ (59,175)
Community services	2,454	-	1,588	-	(866)
Total governmental activities	63,199	-	3,158	-	(60,041)
Business-type activities					
Public Works	171,666	96,202	-	11,400	(64,024)
Total business-type activities	171,666	96,202	-	11,400	(64,024)
Total primary government	<u>\$234,865</u>	<u>\$ 96,202</u>	<u>\$ 3,158</u>	<u>\$ 11,400</u>	<u>\$ (124,065)</u>

	<u>Primary Government</u>		
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Changes in net assets:			
Net (expense) revenue	\$ (60,041)	\$ (64,024)	\$ (124,065)
General revenues and transfer			
Taxes			
Sales taxes	27,160	-	27,160
Franchise taxes	4,100	-	4,100
Cigarette taxes	358	-	358
Royalties	2,150	-	2,150
Interest	650	482	1,132
Other revenue	5,384	-	5,384
Total general revenue and transfers	39,802	482	40,284
Change in net assets	(20,239)	(63,542)	(83,781)
Net assets - beginning	399,353	1,082,185	1,481,538
Net assets - ending	<u>\$ 379,114</u>	<u>\$1,018,643</u>	<u>\$ 1,397,757</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PITTSBURG, OKLAHOMA
BALANCE SHEET - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
JUNE 30, 2013

	General Fund	Street and Alley	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 154,581	\$ 12,244	\$ 166,825
Investments	30,000	-	30,000
Due from other funds	95,636	40,096	135,732
TOTAL ASSETS	<u>\$ 280,217</u>	<u>\$ 52,340</u>	<u>\$ 332,557</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Due to other funds	\$ 40,096	\$ -	\$ 40,096
TOTAL LIABILITIES	<u>40,096</u>	<u>-</u>	<u>40,096</u>
FUND BALANCES			
Unrestricted	<u>240,121</u>	<u>52,340</u>	<u>292,461</u>
TOTAL FUND BALANCES	<u>240,121</u>	<u>52,340</u>	<u>292,461</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 280,217</u>	<u>\$ 52,340</u>	

Amounts reported for governmental activities in
the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund, net of accumulated depreciation of \$81,164	<u>86,653</u>
Net assets of governmental activities	<u>\$ 379,114</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PITTSBURG, OKLAHOMA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	General Fund	Street and Alley	Total Governmental Funds
Revenue			
Sales tax	\$ 27,160	\$ -	\$ 27,160
Franchise tax	4,100	-	4,100
Alcoholic beverage tax	1,570	-	1,570
Cigarette tax	358	-	358
Motor vehicle tax	-	1,588	1,588
Royalties	2,150	-	2,150
Interest	650	-	650
Other revenue	5,384	-	5,384
	<u>41,372</u>	<u>1,588</u>	<u>42,960</u>
Total revenue			
	41,372	1,588	42,960
Expenditures			
Current			
Administration	51,481	-	51,481
Community services	-	2,454	2,454
	<u>51,481</u>	<u>2,454</u>	<u>53,935</u>
Total expenditures			
	51,481	2,454	53,935
Net change in fund balance	(10,109)	(866)	(10,975)
Fund balances, beginning	250,230	53,206	303,436
Fund balances, ending	<u>\$ 240,121</u>	<u>\$ 52,340</u>	<u>\$ 292,461</u>

The accompanying notes are an integral part of this financial statement.

**TOWN OF PITTSBURG, OKLAHOMA
THE STATEMENT OF REVENUES, EXPENDITURES
OF GOVERNMENTAL FUNDS TO THE STATE
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

Net changes in fund balances - total governmental funds	\$ (10,975)
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Depreciation expense	(9,264)
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Change in net assets of governmental activities	<u>\$ (20,239)</u>
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The accompanying notes are an integral part of this financial statement.

TOWN OF PITTSBURG, OKLAHOMA
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND
MODIFIED CASH BASIS
JUNE 30, 2013

	<u>Public Works</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 58,727
Investments	32,571
Restricted assets	
Cash and cash equivalents	<u>8,256</u>
Total current assets	<u>99,554</u>
Non-current assets	
Capital assets:	
Land	13,500
Capital assets, net of accumulated depreciation	<u>1,099,519</u>
Total non-current assets	<u>1,113,019</u>
Total assets	<u>1,212,573</u>
LIABILITIES	
Current liabilities:	
Due to other funds	95,636
Utility deposits	2,560
Notes payable, current	<u>3,528</u>
Total current liabilities	<u>101,724</u>
Non-current liabilities:	
Notes payable, non current	<u>92,206</u>
Total non-current liabilities	<u>92,206</u>
Total liabilities	<u>193,930</u>
NET ASSETS	
Nonspendable	1,017,285
Reserved for debt service	8,256
Unassigned	<u>(6,898)</u>
Net assets of business-type activities	<u>\$ 1,018,643</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PITTSBURG, OKLAHOMA
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND
MODIFIED CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
<u>OPERATING REVENUES</u>	
Charges for services:	
Water charges	\$ 45,913
Wastewater charges	15,025
Sanitation charges	32,665
Penalty and other	<u>2,599</u>
Total operating revenues	<u>96,202</u>
<u>OPERATING EXPENSES</u>	
Wages	7,500
Payroll taxes	649
Legal and professional	2,247
Maintenance and supplies	14,379
Miscellaneous and office	3,065
Telephone and utility	11,890
Testing	5,667
Sanitation contractor	30,928
Chemicals	5,791
Contract labor	21,960
Depreciation	<u>48,950</u>
Total operating expenses	<u>153,026</u>
Operating income (loss)	<u>(56,824)</u>
<u>NON-OPERATING REVENUE (EXPENSES)</u>	
Investment income	482
CDBG Grant	11,440
Grant Expenses	(13,761)
Interest on notes payable	<u>(4,879)</u>
Total non-operating revenue (expenses)	<u>(6,718)</u>
Change in net assets of business type activities	(63,542)
Total net assets, beginning	<u>1,082,185</u>
Total net assets, ending	<u>\$ 1,018,643</u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PITTSBURG, OKLAHOMA
STATEMENT OF CASH FLOWS
MODIFIED CASH BASIS
PROPRIETARY FUND TYPE
FOR THE YEAR ENDED JUNE 30, 2013

	<u>Public Works</u>
Cash flows from operating activities	
Cash received from customers	\$ 96,202
Cash payments to employees	(8,149)
Cash payments to suppliers for goods and services	<u>(95,927)</u>
Net cash provided (used) by operating activities	<u>(7,874)</u>
Cash flows from capital and related financing activities	
Increase in due to general fund	26,578
CDBG Grant	11,440
Grant expenses	(13,761)
Principal paid on notes payable	(3,377)
Interest paid on notes payable and fiscal fees	<u>(4,879)</u>
Net cash used for capital and related financing activities	<u>16,001</u>
Cash flows from investing activities	
Transferred to investments	(190)
Interest revenue	<u>482</u>
Net cash provided by investing activities	<u>292</u>
Net increase in cash and cash equivalents	8,419
Cash and cash equivalents, beginning	<u>50,308</u>
Cash and cash equivalents, ending	<u><u>\$ 58,727</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (56,824)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation	<u>48,950</u>
Net cash provided by operating activities	<u><u>\$ (7,874)</u></u>

The accompanying notes are an integral part of this financial statement.

TOWN OF PITTSBURG
PITTSBURG, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town of Pittsburg, Oklahoma, was incorporated under the provisions of the laws of the State of Oklahoma. The financial statements of the City have been prepared in conformity with the modified cash basis, which is a change from prior year. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies of the government are described below.

A.1. FINANCIAL REPORTING ENTITY

Financial Reporting Entity

The accompanying financial statements present the activities of the Town of Pittsburg. The Town has considered all potential component units for which the Town is financially accountable and other organizations for which the nature and significance of their relationships with the Town are such that exclusion would cause the Town's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. This criteria includes appointing a voting majority of an organization's governing body and (1) the ability of the Town to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town.

Component Units

Component units are legally separate organizations for which the Town is financially accountable as described above. A blended component unit is a separate legal entity that meets the component unit criteria above. In addition, the blended component units provide services that almost exclusively benefit the Town even though they do not provide services directly to the Town. These component units are blended into those of the Town by appropriate fund type to constitute the primary government presentation. A discretely presented component unit is reported separate from Town fund types in the financial statements.

TOWN OF PITTSBURG
PITTSBURG, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

BLENDDED COMPONENT UNITS

Blended component units are separate legal entities that meet the GASB 14 component unit criteria and whose governing body governing body is the same or substantially the same as the Board of Trustees or the component unit provides services entirely to the Town. The component units' funds are blended into the Town's by appropriate fund type to comprise the primary government presentation. The component unit that is blended into the primary government's fund types of the Town's report is present below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Included Funds</u>
Pittsburg Public Works Authority (PPWA)	Created to finance, develop and operate the water, sewer, and solid waste activities of the Town. Current Board of Trustees serves as entire governing body (Trustees) of the Authority. Debt issued by the Authority requires 2/3rds approval of the Town Board of Trustees.	PPWA Enterprise Fund

A.2. BASIS OF PRESENTATION

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities such as employee pension plans. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguished governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A functional program is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include (1) charges for services with report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions on these programs uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements:

Fund financial statements of the Town are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds

TOWN OF PITTSBURG, OKLAHOMA
PITTSBURG, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe "how" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

Measurement Focus

In the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined in item B below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- A. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- B. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or non-current, financial, or non-financial) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and business-like activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements and proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

TOWN OF PITTSBURG
PITTSBURG, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements of proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Fund Types and Major Funds

The Town reports the following major governmental funds:

General Fund - The general fund reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Public Works Authority - The Authority provides certain utility services for the Town.

Budgetary Accounting and Control

The Mayor submits an annual budget to the Town Council in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Town Council for review, and public hearings are held to address priorities and allocation of resources. In June, the Town Council adopts the annual fiscal year budgets for the Town operating funds. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Public trusts submit budget and other planning documents to their respective governing bodies.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by sources. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay, transfers, and debt service. Budget revisions at this level are subject to final review by the Town Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Within these control levels, management may transfer appropriations without Council approval.

The budgets for the governmental funds and proprietary fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be paid. Any budget and actual financial statements are reported on this basis. Unencumbered appropriations for annually budgeted funds lapse at fiscal year-end.

The Town council did not formally adopt the annual budget and failed to follow proper procedures in adopting the budget as is required by the Oklahoma Municipal Budget Act.

TOWN OF PITTSBURG
PITTSBURG, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Investments

The City follows Governmental Accounting Standards Board (GASB) Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," which requires marketable securities to be carried at fair value. The Town considers highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. The investments reported in the financial statements consist of Certificates of Deposits, government bonds, U.S. government notes and securities. Money held by trustee banks for use in retiring bonds is usually held in United States government securities.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriations, is employed in the governmental funds. Encumbrances outstanding at year end are cancelled under the modified cash basis. The encumbrance is added to the subsequent year expenses when paid.

Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary funds and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis. The Town has not maintained inventory records, however, the value of inventory on hand at June 30, 2013 is not believed to be material.

Prepaids record payments to vendors that benefit future reporting periods are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements. Under the modified cash basis, prepaids are not reported. The expense is included in the period the liability is paid.

Capital Assets, Depreciation, and Amortization

The Town's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost or at estimated historical cost for those items not previously reported and comprehensively reported in the government-wide financial statements. The Town maintains infrastructure assets records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units financial statements. Donated assets are stated at fair value on the date donated. The Town generally capitalizes assets with a cost of \$2,500 or more as purchase and construction outlays occur. The cost of normal maintenance and repairs that do not add to the assets value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are moved from the respective accounts, and the resulting gain or loss is recorded in operations.

TOWN OF PITTSBURG
PITTSBURG, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5-60
Improvements, other than buildings	2-50
Mobile equipment	3-40
Furniture, machinery, and equipment	3-30
Utility system	5-60

Compensated Absences

Full-time, permanent employees are granted personal leave in varying amounts to specified maximums depending on tenure with the Town. The Town does not record a liability for accrued compensated absences. The amount paid for compensated absences is expensed as paid.

Reserves and Designations

Reserves represent those portions of fund balance not available for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

Use of Estimates

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Sales Tax

The Town presently levies a three-cent sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors.

Property Tax

At the present time, the Town levies no property tax. Under State law, municipalities are limited in their ability to levy a property tax. Such tax may only be levied to repay principal and interest on general obligation bonded debt approved by voters and court-assessed judgments.

TOWN OF PITTSBURG
PITTSBURG, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE B - CASH AND INVESTMENTS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of failure of counterparty, the Town will not be able to recover the value of its deposits or investments. Deposits are exposed to custodial credit risk if they are uninsured and uncollateralized. Investment securities are exposed to custodial credit risk if they are uninsured, are not registered in the name of the Town, and are held by counterparty or the counterparty's trust department but not in the name of the Town. The Town's policy requires that all deposits and investments in excess of amounts covered by federal deposit insurance be fully collateralized by the entity holding the deposits or investments. As of June 30, 2013, all of the Town's deposits and investments were either covered by federal deposit insurance or were fully collateralized.

Deposits

The Town had deposits at financial institutions with a carrying amount of approximately \$296,379 at June 30, 2013. The bank balance of the deposits at June 30, 2013 was approximately \$298,378.

Credit Risk

Fixed-income securities are subject to credit risk. However, the Town did not have fixed income securities at June 30, 2013.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board of Directors monitor's the investment performance on an ongoing basis to limit the Town's interest rate risk. As of June 30, 2013, the Town's deposits consisted of demand deposits and certificates of deposit with a maturity of 13 months or less.

NOTE C - INTERFUND BALANCES AND ACTIVITIES

Interfund receivables and payables at June 30, 2013 consist of the following:

	Due From <u>Other Funds</u>	Due to <u>Other Funds</u>
Reconciliation to Fund Financial Statements		
Government Funds	\$ 95,636	\$ -
Enterprise Funds	-	95,636
Total	<u>\$ 95,636</u>	<u>\$ 95,636</u>

NOTE D - CHANGES IN LONG-TERM DEBT

The following is a summary of the long-term debt transactions of the Town for the year ended June 30, 2013:

	Payable at <u>July 1, 2012</u>	<u>Additions</u>	<u>Retirements</u>	Balance at <u>June 30, 2013</u>
Rural Development	\$ 99,111	\$ -	\$ (3,377)	\$ 95,734
	<u>\$ 99,111</u>	<u>\$ -</u>	<u>\$ (3,377)</u>	<u>\$ 95,734</u>

TOWN OF PITTSBURG
PITTSBURG, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE E - LONG TERM DEBT

The Town's long-term debt is segregated between the amounts to be repaid from governmental type funds (General Long-Term Debt) and the amounts to be repaid from proprietary type funds (Enterprise Fund Debt).

General Long-Term Debt

As of June 30, 2013, the general fund did not report any long-term debt.

Enterprise Fund Long-Term Debt

At June 30, 2013, the long-term debt payable from Enterprise Fund resources consisted of the following:

Note payable with USDA Rural Development dated Oct 10, 1991, original loan \$140,000 with an annual interest rate of 5.00%, due in monthly installments of \$688, for forty years.	\$ 95,734
Total Notes Payable	<u>\$ 95,734</u>
Current Portion	\$ 3,528
Non-Current Portion	92,206
Total Notes Payable	<u>\$ 95,734</u>

Debt service requirements to maturity:

Debt service principal and interest requirements for outstanding bonds are as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2014	\$ 3,528	\$ 4,728	\$ 8,256
2015	3,708	4,548	8,256
2016	3,898	4,358	8,256
2017	4,097	4,159	8,256
2018	4,307	3,949	8,256
2019-2023	25,074	16,206	41,280
2024-2028	32,179	9,101	41,280
2029-2031	18,943	1,697	20,640
TOTAL	<u>\$ 95,734</u>	<u>\$ 48,746</u>	<u>\$ 144,480</u>

The Authority paid interest in the amount of \$4,879 on its outstanding notes payable during the fiscal year.

The loan agreements require a debt service account be established and a deposit equal to 10% of the monthly payments be deposited to the account until accumulation of one annual installment or \$8,256 is met. At June 30, 2013, the required debt service reserve was fully funded.

TOWN OF PITTSBURG
PITTSBURG, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE H - CAPITAL ASSETS

The following table provides a summary of changes in capital assets:

	CAPITAL ASSETS, DEPRECIATED				Capital Assets Not Depreciated Land
	Buildings	Infrastructure & Improvements, Other Than Buildings	Furniture, Machinery, and Equipment	Totals	
PRIMARY GOVERNMENT					
Governmental Activities					
Balance, June 30, 2012	\$ 62,600	\$ -	\$ 95,787	\$ 158,387	\$ 9,430
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	62,600	-	95,787	158,387	9,430
Accumulated Depreciation					
Balance, June 30, 2012	31,651	-	40,249	71,900	
Increases	1,043	-	8,221	9,264	
Decreases	-	-	-	-	
Balance, June 30, 2013	32,694	-	48,470	81,164	
Governmental Activities					
Capital Assets, Net	<u>\$ 29,906</u>	<u>\$ -</u>	<u>\$ 47,317</u>	<u>\$ 77,223</u>	<u>\$ 9,430</u>
Business-type Activities					
Balance, June 30, 2012	\$ 21,162	\$ 1,888,222	\$ 48,085	\$ 1,957,469	\$ 13,500
Increases	-	-	-	-	-
Decreases	-	-	-	-	-
Balance, June 30, 2013	21,162	1,888,222	48,085	1,957,469	13,500
Accumulated Depreciation					
Balance, June 30, 2012	21,162	751,948	35,854	809,000	
Increases	-	46,858	2,092	48,950	
Decreases	-	-	-	-	
Balance, June 30, 2013	21,162	798,842	37,946	857,950	
Business-type Activities					
Capital Assets, Net	<u>\$ -</u>	<u>\$ 1,089,380</u>	<u>\$ 10,139</u>	<u>\$ 1,099,519</u>	<u>\$ 13,500</u>
PRIMARY GOVERNMENT					
Capital Assets, Net	<u>\$ 29,906</u>	<u>\$ 1,089,380</u>	<u>\$ 57,456</u>	<u>\$ 1,176,742</u>	<u>\$ 22,930</u>

DEPRECIATION EXPENSE

Depreciation expense was charged to functions of the primary government as follows:

GOVERNMENT ACTIVITIES

Administration \$ 9,264

BUSINESS-TYPE ACTIVITIES

Water/Wastewater \$ 48,950

TOWN OF PITTSBURG
PITTSBURG, OKLAHOMA
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2013

NOTE I - PENSION OBLIGATIONS

The town did not participate in a pension plan.

NOTE J - COMPENSATED ABSENCES

The Town and Authority have not reported an amount for accrued compensated absences. Under the modified cash basis of accounting, payments for vacation and sick leave are expensed as paid.

NOTE K - LITIGATION

Neither the Town or the Authority have any pending claims or lawsuits against them as of June 30, 2013, the outcome of which would result in a material liability or damage claim.

NOTE L - SUBSEQUENT EVENTS

The Town has evaluated subsequent events and contingencies through June 29, 2015, the date which financial statements were available. The Town believes there are no events requiring disclosure.

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and Members of the Town Council
Town of Pittsburg
Pittsburg, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Pittsburg, Oklahoma, modified cash basis, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Pittsburg's basic financial statements and have issued my report thereon dated June 29, 2015 which did not include Management's Discussion and Analysis.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Town of Pittsburg's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Pittsburg's internal control. Accordingly, I do not express an opinion of the effectiveness of Town of Pittsburg's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. I consider failure to utilize an effective purchase order system of controls to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Pittsburg, Oklahoma's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance listed below or other matters that are required to be reported under *Government Auditing Standards*. The Town failed to comply with The Municipal Budget Act.

This report is intended solely for the information and use of management, Town Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in cursive script that reads "Ralph Osborn".

Ralph Osborn
Certified Public Accountant
Bristow, Oklahoma
June 29, 2015